



KAMARAJ IAS ACADEMY
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Urban Infrastructure Development Fund

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Why is in news? Guidelines for UIDF likely to be released by March-end

States and cities will be encouraged to undertake urban planning reforms and actions to transform cities into 'sustainable cities of tomorrow'. This means efficient use of land resources, adequate resources for urban infrastructure, transit-oriented development, enhanced availability and affordability of urban land, and opportunities for all. This was stated by Union Finance & Corporate Affairs Minister while **presenting the Union Budget 2023-24 in the Parliament**.

The Union Finance & Corporate Affairs Minister mentioned that an **Urban Infrastructure Development Fund (UIDF)** will be **established through use of priority sector lending shortfall**.

This will be **managed by the National Housing Bank**, and will be used by public agencies to **create urban infrastructure in Tier 2 and Tier 3 cities**.

It will be established **on the lines of the Rural Infrastructure Development Fund (RIDF)**.

States will be encouraged to leverage resources from the grants of the 15th Finance Commission, as well as existing schemes, to adopt appropriate user charges while accessing the UIDF.

Cities with a population in the **range of 50,000 to 100,000** are classified as **tier 2** cities, while those with a population of **20,000 to 50,000** are classified as **tier 3** cities.

The Finance Minister said that the cities will be **incentivized to improve their credit worthiness for municipal bonds**. This will be done through property tax governance reforms and ring-fencing user charges on urban infrastructure.

All cities and towns will be **enabled for 100 per cent mechanical desludging of septic tanks and sewers** to transition from manhole to machine-hole mode. Enhanced focus will be provided for scientific management of dry and wet waste.

Rural Infrastructure Development Fund (RIDF):

The RIDF was set up by the Government in **1995-96** for **financing ongoing rural Infrastructure projects**.

The Fund is **maintained by the National Bank for Agriculture and Rural Development (NABARD)**.

The **domestic commercial banks** contribute to the Fund to the extent of their shortfall in stipulated priority sector lending to agriculture.

To provide loans to State Governments and State-owned corporations to **enable them to complete ongoing rural infrastructure projects**.

The loan to be repaid in equal annual installments within seven years from the date of withdrawal, including a grace period of two years.

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INVESTMENT IN INFRASTRUCTURE AND PRODUCTIVE CAPACITY

UNION
BUDGET
2023-24

GROWTH AND EMPLOYMENT MULTIPLIER



Increase in capital investment outlay
by **33.4%** to ₹10 lakh crore



Infrastructure Finance Secretariat to
assist stakeholders for more private
investment in infrastructure



Urban Infrastructure in Tier 2 and 3 cities
via establishment of **UIDF***



Continuation of 50-year interest free
loan to State Governments

*UIDF: Urban Infrastructure Development Fund

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